What Are Those Spikes on My Chart?

Those 'spikes' that show up on your charts may be due to one of three things.

First, check time and sales. This can show you the price, bid and offer for every print, and the time it happened. Look at the trades that went off way outside of the market. If they were a series of trades, and the bid and offer followed them up and down, then it was real trading, that just happened very quickly. Stops are taken out and they should be. It is just a stock that rallied and fell very quickly, it can happen especially on a low-volume stock.

If there was only one trade there, or a couple of isolated ones, and the bid and offer did NOT move with the price, then there are two possibilities of what happened. First, if the trade went off on just normal volume (100-2000 shares or something typical for that stock) then it was simply a 'bad tick'. In other words, it was a mistake, and never happened. It is not a reason to exit a trade, and you should stay in the trade.

Secondly, if the trade went off on large volume (several thousand shares) then it was simply a 'block trade'. A couple of market makers got together and agreed on a price to buy and sell a large chunk of shares. It is not a reason to exit a trade, and you should stay in the trade. You can not read anything into a block trade, despite popular wisdom to the contrary.

Note in both of these last instances, it is not a reason to exit the trade. If you use automatic stops that are based on the last price (not all of them are) you MAY trigger a stop. Some platforms allow you to set stops that can help avoid this, check with your broker. If not, then there is nothing you can do about that, it is a disadvantage of using the 'automatic stops'. You should stay with the trade, no changes.